

Contents

02	Company Information
03	Directors' Review
04	Condensed Interim Balance Sheet
05	Condensed Interim Profit and Loss Account
06	Condensed Interim Statement of Comprehensive Income
07	Condensed Interim Cash Flow Statement
08	Condensed Interim Statement of Changes in Equity
09	Notes to the Condensed Interim Financial Statements

Company Information

Board of Directors

Mr. Akbarali Pesnani	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Tariq Faruque	Director
Mr. Abrar Hasan	Director
Mr. Abid Naqvi	Director

Audit Committee

Mr. Abid Naqvi	Chairman
Mr. Arif Faruque	Member
Mr. Tariq Faruque	Member

Human Resource and Remuneration Committee

Mr. Abrar Hasan	Chairman
Mr. Amer Faruque	Member
Mr. Aslam Faruque	Member

Chief Operating Officer & CFO

Mr. Yasir Masood

Executive Director & Company Secretary

Mr. Abid Vazir

Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

K.M.S. Law Associates

Bankers

Allied Bank Ltd.
Bank Al Habib Ltd.
Faysal Bank Ltd.
Habib Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Samba Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Bank of Punjab
United Bank Ltd.

Bankers (Islamic)

Al Baraka Bank (Pakistan) Ltd.
Askari Bank Ltd
Bank Alfalah Ltd.
Bank Al Habib Ltd
Bankislami Pakistan Ltd.
Dubai Islamic Bank Pakistan Ltd.
Meezan Bank Ltd.

Registered Office

1st Floor, Betani Arcade, Jamrud Road
Peshawar

Factory

Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
Khyber Pakhtunkhwa

Head Office

Modern Motors House
Beaumont Road
Karachi-75530

Regional Office

3, Sunder Das Road
Lahore

Islamabad Office

1st Floor,
Razia Sharif Plaza
Jinnah Avenue, 91-Blue Area

Share Registrar

Central Depository Company
of Pakistan Limited (CDC)
CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shahrah-e-Faisal
Karachi-74400

Directors' Review

The Board of Directors is pleased to present the un-audited financial results of the company for the first quarter ended September 30, 2017.

Overview

During the quarter under review, the company maintained its position as a market leader by catering to the requirements of the cement market for high quality paper and PP bags. It also diversified into new markets segments by launching fresh variety of packaging products like BOPP bags and explore new export markets for PP bags. The company is the only manufacturer capable of providing single window operation for premium cement packaging solutions to its valuable customers in Pakistan. Furthermore, it is also working towards the diversification of its business operations by entering into the field of flexible packaging.

Operating performance

The sales revenues of the company, during the period under review, remained at almost the same level as the corresponding period last year. This was mainly due to adjustment in selling prices of bags in line with the market conditions owing greater competition following the entry of new market players in PP bags and higher sales of low grammage high quality PP bags, which are cheaper in price compared to conventional bags used by the cement industry earlier. In a period of rising input costs especially on account of significant increase in international price of kraft paper, the company tried to optimize and efficiently managed its inventory and other resources to rationalize its production costs. During the period under review, there was an increase in finance cost due to financing arrangements made by the company to finance its operations and expansion projects. For the three months' period ended September 30, 2017 the company posted an after tax profit of Rs. 157 million.

UPDATE ON PROJECTS

- **Universal Papersack Plant:**

Work on the installation and the commissioning of the universal papersack line is in final stages. The addition of the universal papersack line will enhance the production capacity of the company to 400 million papersacks per annum and besides conventional cement bags, it will also be able to produce smaller sized bags for other related products. The management remains confident of gaining further market share and achieving greater economies of scale, which will add value to its operations.

- **Flexible Packaging Project:**

Given the emerging trends in the market and demand for innovative packaging solutions, the company has decided to expand its business horizons by venturing into the field of flexible packaging. Flexible Packaging is a growing field of business worldwide and offers a great future potential to the company to further grow its business. With an eye on this fast evolving consumer market, CPL has decided to invest in the best quality European equipment to ensure it can keep pace with the best of the established players. The company has placed the order for the main equipment with M/s. Windmoller & Holscher, which is a leading machine supplier of this industry. CPL will be the first company in Pakistan to come up with the Extrusion, Roto/Flexo printers and cylinder making machines all at the same time. We have placed orders for the equipment and awarded contracts for civil works. The project will be financed through a combination of debt and equity including issuance of right shares and it is expected to be completed by July 2018.

Future Prospects

Cherat Packaging is on its way to achieve greater success and brighter horizons. The Company continues to explore new markets for sales of its bags including exports. On the domestic front, it has already become a supplier of choice. With cement demand on the rise in the country, the company is well positioned to meet the additional demand for cement bags through regular enhancement of production capacity of both Papersack and PP plants. The enhanced capacity will provide a strategic advantage to the Company in meeting the rising requirement of cement bags in the future. Furthermore, it will also allow the company to explore new market segments including export of PP bags and packaging material for other products like sugar, fertilizer, chemicals etc. including smaller bags. Meanwhile, considering the fast evolving consumer market, addition of new flexible packaging division will enable the company to diversify into new market segments to further grow its business.

Acknowledgment

The management would like to express its gratitude to all customers, financial institutions, staff members, suppliers and shareholders who have been associated with the company for their continued support and cooperation. It would like to particularly thank Mondi Packaging and Windmoller & Holscher for their cooperation and support to the company.

On behalf of the Board of Directors



Akbarali Pesnani
Chairman

Karachi: October 30, 2017

Condensed Interim Balance Sheet

as at September 30, 2017

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,591,285	1,816,165
Intangible assets		6,961	7,301
		2,598,246	1,823,466
Long-term investments	5	585,727	870,516
Long-term loans		306	325
Long-term deposits		9,378	8,928
		3,193,657	2,703,235
CURRENT ASSETS			
Stores, spare parts and loose tools		94,846	94,530
Stock-in-trade		1,860,965	1,494,637
Trade debts		893,234	898,551
Loans and advances		12,531	4,884
Trade deposits and short-term prepayments		11,719	9,166
Other receivables		459,791	256,752
Taxation - net		116,764	89,211
Cash and bank balances		31,420	15,428
		3,481,270	2,863,159
TOTAL ASSETS		6,674,297	5,566,394
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (June 30, 2017: 40,000,000) Ordinary shares of Rs.10/- each		400,000	400,000
Issued, subscribed and paid-up capital (Fully paid ordinary shares of Rs. 10/- each)		296,055	296,055
Reserves		3,385,822	3,720,822
		3,681,877	4,016,877
NON-CURRENT LIABILITIES			
Long-term financing	6	1,150,000	570,000
Deferred taxation		197,677	204,085
		1,347,677	774,085
CURRENT LIABILITIES			
Trade and other payables		459,864	546,806
Unpaid and unclaimed dividend		212,696	5,511
Accrued mark-up		30,096	21,746
Short-term borrowings - secured	7	902,717	161,369
Current maturity of long-term financing		40,000	40,000
		1,645,373	775,432
CONTINGENCIES AND COMMITMENTS			
	8		
TOTAL EQUITY AND LIABILITIES		6,674,297	5,566,394

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Aslam Faruque
Director


Yasir Masood
Chief Financial Officer

Condensed Interim Profit and Loss Account (Unaudited) for the period ended September 30, 2017

	Note	September 30, 2017	September 30, 2016
----- (Rupees `000) -----			
Turnover - net		1,465,870	1,491,035
Cost of sales		(1,220,461)	(1,196,501)
Gross profit		245,409	294,534
Distribution costs		(22,612)	(31,408)
Administrative expenses		(17,049)	(15,511)
Other expenses		(13,843)	(16,972)
		(53,504)	(63,891)
Other income		19,421	1,086
Operating profit		211,326	231,729
Finance costs		(22,972)	(15,570)
Profit before taxation		188,354	216,159
Taxation			
Current	9	(37,734)	(78,383)
Deferred		6,408	30,537
		(31,326)	(47,846)
Net profit for the period		157,028	168,313
Earnings per share - basic and diluted		Rs. 5.30	Rs. 5.69

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Aslam Faruque
Director


Yasir Masood
Chief Financial Officer

Condensed Interim Statement of Comprehensive Income (Unaudited) for the period ended September 30, 2017

	September 30, 2017	September 30, 2016
	----- (Rupees `000) -----	
Net profit for the period	157,028	168,313
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized (loss) / gain on available-for-sale securities	(284,789)	38,572
Total comprehensive (loss) / income for the period	<u>(127,761)</u>	<u>206,885</u>

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Aslam Faruque
Director


Yasir Masood
Chief Financial Officer

Condensed Interim Cash Flow Statement (Unaudited)

for the period ended September 30, 2017

	September 30, 2017	September 30, 2016
	----- (Rupees `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	188,354	216,159
Adjustments for:		
Depreciation	36,212	34,648
Amortization	340	229
(Gain) / loss on disposal of operating property, plant and equipment	(118)	1,379
Finance costs	22,972	15,570
	59,406	51,826
	247,760	267,985
(Increase) / decrease in current assets		
Stores, spare parts and loose tools	(316)	(4,532)
Stock-in-trade	(366,328)	58,022
Trade debts	5,317	(129,123)
Loans and advances	(7,647)	(7,231)
Trade deposits and short-term prepayments	(2,553)	3,136
Other receivables	(203,039)	(31,145)
	(574,566)	(110,873)
Decrease in current liabilities		
Trade and other payables	(86,942)	(205,971)
Cash used in operations	(413,748)	(48,859)
Income tax paid	(65,287)	(142,239)
Net cash used in operating activities	(479,035)	(191,098)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to operating property, plant and equipment	(2,046)	(141,173)
Capital work-in-progress	(809,423)	(13,153)
Proceeds from disposal of operating property, plant and equipment	255	869
Long term deposits	(450)	-
Long-term loans	19	-
Net cash used in investing activities	(811,645)	(153,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term financing	580,000	210,000
Short-term borrowings	741,348	142,767
Finance costs paid	(14,622)	(9,811)
Dividend paid	(54)	-
Net cash generated from financing activities	1,306,672	342,956
Net increase / (decrease) in cash and cash equivalents	15,992	(1,599)
Cash and cash equivalents at the beginning of the period	15,428	17,515
Cash and cash equivalents at the end of the period	31,420	15,916

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
 Chief Executive


Aslam Faruque
 Director


Yasir Masood
 Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited) for the period ended September 30, 2017

Issued, Subscribed and Paid-up Capital	Reserves						Total Reserves	Total
	Capital Reserve	Revenue Reserves						
	Share premium	General Reserve	Unappropriated profit	Actuarial gain on gratuity fund	Unrealised gain / (loss) on available for-sale securities			
(Rupees `000)								
Balance as at July 01, 2016	296,055	545,314	180,000	1,866,330	25,310	403,282	3,020,236	3,316,291
Profit for the period	-	-	-	168,313	-	-	168,313	168,313
Other comprehensive income	-	-	-	-	-	38,572	38,572	38,572
Total comprehensive income	-	-	-	168,313	-	38,572	206,885	206,885
Balance as at September 30, 2016	296,055	545,314	180,000	2,034,643	25,310	441,854	3,227,121	3,523,176
Balance as at July 01, 2017	296,055	545,314	180,000	2,287,125	43,036	665,347	3,720,822	4,016,877
Cash dividend for the year ended June 30, 2017 @ Rs. 7 per share	-	-	-	(207,239)	-	-	(207,239)	(207,239)
Profit for the period	-	-	-	157,028	-	-	157,028	157,028
Other comprehensive income	-	-	-	-	-	(284,789)	(284,789)	(284,789)
Total comprehensive income	-	-	-	157,028	-	(284,789)	(127,761)	(127,761)
Balance as at September 30, 2017	296,055	545,314	180,000	2,236,914	43,036	380,558	3,385,822	3,681,877

The annexed notes from 1 to 12 form an integral part of these condensed interim financial statements.


Amer Faruque
Chief Executive


Aslam Faruque
Director


Yasir Masood
Chief Financial Officer

Notes to the Condensed Interim Financial Statements (Unaudited) for the period ended September 30, 2017

1. THE COMPANY AND ITS OPERATIONS

Cherat Packaging Limited (the Company) was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, marketing and sale of paper sacks and polypropylene bags. The Company is listed on Pakistan Stock Exchange. The registered office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. STATEMENT OF COMPLIANCE

2.1 During the previous financial year, the Companies Act, 2017 had been promulgated, however, Securities and Exchange Commission of Pakistan (SECP) vide its revised circular No. 23 of 2017 dated October 04, 2017, which was issued in continuation of circular No. 17 of 2017 dated July 20, 2017, communicated its decision that companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, the Company's financial statements for the quarter ended September 30, 2017 have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984. These condensed interim financial statements are required to be presented to the shareholders under Section 245 of the repealed Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting" and provisions of and directives issued under the repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2017.

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Opening written down value (WDV)		1,777,012	1,616,160
Additions during the period / year	4.1	2,046	306,683
		1,779,058	1,922,843
Disposals during the period / year (WDV)		(137)	(932)
Depreciation charged during the period / year		(36,212)	(144,899)
		1,742,709	1,777,012
Capital work-in-progress	4.2	848,576	39,153
		2,591,285	1,816,165
4.1. Additions during the period / year			
Leasehold land		-	21,332
Building on leasehold land		115	84,627
Plant and machinery		-	158,417
Power and other installations		-	3,965
Furniture and fittings		65	1,073
Vehicles		1,420	21,612
Equipment		133	10,868
Computers		313	4,789
		2,046	306,683
4.2. Capital work-in-progress			
Civil works		98,880	22,268
Plant and machinery		735,140	-
Power and other installations		7,037	14,643
Vehicles		7,519	2,242
		848,576	39,153

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
5. LONG-TERM INVESTMENTS			
Investment in related parties			
Available-for-sale securities- Cherat Cement Co. Limited	5.1	581,107	865,896
Interest in a Joint Venture - UniEnergy Limited	5.2	4,620	4,620
		<u>585,727</u>	<u>870,516</u>
5.1 Available-for-sale securities- Cherat Cement Co. Limited			
4,843,362 (June 30, 2017: 4,843,362) Ordinary shares of Rs. 10/- each		<u>581,107</u>	<u>865,896</u>

5.2 Interest in a Joint Venture - UniEnergy Limited

Represents 462,000 shares representing 4.62% interest in UniEnergy Limited (UEL), a public unlisted Company. UEL is formed for the generation and transmission of wind power, however, the tariff for the project has not yet been approved by the Government.

	Note	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----			
6. LONG-TERM FINANCING - secured			
Islamic banks			
Fixed Assets Refinance Loan - III	6.1	600,000	-
Fixed Assets Refinance Loan - II		450,000	450,000
Conventional banks			
Fixed Assets Refinance Loan - I		140,000	160,000
		<u>1,190,000</u>	<u>610,000</u>
Less: Current maturity		<u>(40,000)</u>	<u>(40,000)</u>
		<u>1,150,000</u>	<u>570,000</u>

6.1 Represents a long-term loan obtained from an Islamic bank for the import of Universal Papersack Line amounting to Rs. 600 million. The loan carries profit at the rate of 6 months KIBOR plus 0.2% per annum. The loan is repayable in 10 equal semi-annual installments commencing after a grace period of 30 months from the date of first disbursement i.e. from January 2020. The loan is secured by way of first pari-passu hypothecation charge of Rs. 800 million over plant and machinery of the Company.

7. SHORT-TERM BORROWINGS - secured

The Company has facilities obtained from various conventional and Islamic banks amounting to Rs. 3,525 million (June 30, 2017: Rs. 3,525 million) out of which Rs. 2,622.28 million (June 30, 2017: Rs. 3,363.63 million) remains unutilized at the period end.

	September 30, 2017 (Unaudited)	June 30, 2017 (Audited)
----- (Rupees `000) -----		
8. CONTINGENCIES AND COMMITMENTS		
Guarantees issued by a commercial bank	95,000	85,515
Letters of credit issued by commercial banks	<u>1,470,909</u>	<u>1,174,309</u>

9. TAXATION

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits. Income subject to final tax has been taxed accordingly.

10. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of group companies, staff benefit funds, directors and executives. The Company in the normal course of business carries out transactions with various related parties.

Relationship	Nature of transactions	Period ended	
		September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
		----- (Rupees `000) -----	
Group companies	Sale of goods	227,130	142,762
	Purchase of goods	4,593	4,609
	Services received	10,278	6,776
	IT Support charges	2,766	2,100
	Dividend receivable	16,952	-
	Dividend payable	56,588	-
Executives	Remuneration	38,477	24,890
Other related parties	Insurance premium	2,138	1,771
	Contribution to staff provident and gratuity funds	1,865	1,415

In addition, certain actual administrative expenses are being shared amongst the group companies.

11. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 30, 2017 by the Board of Directors of the Company.

12. GENERAL

12.1. Corresponding figures have been reclassified for the purpose of better presentation and comparison, where ever necessary.

12.2. Figures have been rounded off to the nearest thousand of Rupees, unless otherwise stated.


Amer Faruque
Chief Executive


Aslam Faruque
Director


Yasir Masood
Chief Financial Officer